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December 27, 2005

Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

Attention: Jennifer J. Johnson
Secretary

Re: Financial Statements for Bank Holding Companies -
Request for Comment - FR Y-9

Ladies and Gentlemen:

The Clearing House Association L.L.C. ("The Clearing House"), an association of major commercial banks,¹ appreciates the opportunity to comment on the proposed revisions (the "proposal") to the Financial Statements for Bank Holding Companies (the "FR Y-9 Reports") by the Board of Governors of the Federal Reserve System (the "Board"). Our comments on this proposal are presented below.

Financial Statements of Bank Holding Companies

The Board proposes to eliminate the reporting exception requiring top-tier Bank Holding Companies ("BHCs") to submit an FR Y-9C for each lower-tier BHC with total consolidated assets of \$1 billion or more due to the determination that the information is no longer needed for supervisory or safety and soundness reasons. The Clearing House strongly

¹ The members of The Clearing House are Bank of America, National Association; The Bank of New York; Citibank, N.A.; Deutsche Bank Trust Company Americas; HSBC Bank USA, National Association; JP Morgan Chase Bank, National Association; LaSalle Bank National Association; UBS AG; U.S. Bank, National Association; Wachovia Bank, National Association; and Wells Fargo Bank, National Association.

supports this proposal and applauds the Board for this substantial reduction in reporting burden. Additionally, we request that the reporting requirement for lower-tier parent company-only financial statements filed on FR Y-9LP also be modified to reduce reporting burden. Since we are aware that the Board still will have the need for some information on these lower-tier BHCs, we would propose that lower-tier BHCs be required to file only FR Y-9LP Schedule PI "Parent Company Only Income Statement"; Schedule PC "Parent Company Only Balance Sheet"; and Schedule PC-A "Investments in Subsidiaries and Associated Companies". We believe that this modification would serve to further reduce reporting burden but still provide information to meet the Board's needs for these lower-tier entities. As noted in the proposal, the Board has determined that the detailed information contained in the FR Y-9C is no longer needed for supervisory or safety and soundness reasons. We believe that for lower-tier BHCs, the FR Y-9LP Schedule PI-A "Cash Flow Statement" and Schedule PC-B "Memoranda" are of little supervisory value, but create significant burden for the reporting institutions. An alternative approach would be to shift the reporting of lower-tier BHCs to Form FR Y-11.

The Clearing House would also note that the proposal is not clear as to the requirements to continue to file the FR Y-9LP for lower-tier BHCs. Written clarification in the final rule and report instructions regarding reporting requirements for the filing of the FR Y-9LP for lower-tier BHCs is needed.

Attestation

Under current requirements, the FR Y-9 Reports must be signed by one director of the bank holding company who is a senior official of the bank holding company or the chairman of the board. The attestation indicates that the signer has reviewed the financial statements. The Board has proposed changing the signature requirements to include attestations by each of the CEO (or person performing similar functions) and CFO (or persons performing similar functions).

The need for additional signatures seems to add little value to ensuring that the FR Y-9 Reports submitted by bank holding companies are correct and that adequate internal controls are in place over regulatory reports. Bank holding companies already submit detailed reports regarding controls over financial reporting to comply with regulatory requirements set forth under FDICIA. Further, those financial services organizations that are publicly held are also required to meet the extensive requirements set forth under the Sarbanes-Oxley Act of 2002. In view of the requirements already in place, it seems burdensome and administratively unnecessary to require more signatures when the spirit of the statutory requirements has been more than satisfied in fulfilling the requirements set forth in FDICIA and under the Sarbanes-Oxley Act of 2002. If the Board believes that the additional signatures are necessary to provide more assurances over the correctness of the report, The Clearing House requests that bank holding companies that are part of a consolidated public company be relieved of this burden. The Board should recognize that organizations with strong corporate governance

processes in place are already fulfilling oversight requirements in connection with the filing of regulatory reports. If there are bank holding companies in the system with weak corporate governance processes, the addition of more signatures on the cover page of the FR Y-9 Reports will not solve the deeper issue.

Other Proposed Revisions Related to Call Report Revisions

The Board has proposed to make revisions to the FR Y-9C to parallel proposed changes to the Call Report. The Clearing House submitted comments regarding certain proposals to the Call Reports in its letter dated October 24, 2005. The Board has noted in its proposal that comments received by the banking agencies on proposed Call Report revisions that parallel some of the proposed FR Y-9C revisions will also be taken into consideration for this proposal. For the Board's convenience, we have included our comments on these items for which we again emphasize our concerns with these proposed revisions.

Construction, Land Development, and Other Land Loans

The Board has proposed splitting "Construction, land development, and other land loans" (CLD&OL loans) into separate categories for 1-4 family residential CLD&OL loans and all other CLD&OL loans (Schedule HC-C, item 1.a.; Schedule HC-N, item 1.a; Schedule HI-B, item 1.a; and Schedule HC-L, item 1.c.(1)). The Clearing House believes that obtaining this level of detail will be difficult as this information is not currently provided in the SEC disclosures related to loans, past due and nonaccrual loans, and charge-offs and recoveries on loans. We also strongly suggest that the Board eliminate the proposed split of commitments to fund 1-4 family residential construction and other loans in Schedule HC-L, as this schedule presents information primarily at a product level and does not currently, or necessarily need to, mirror the collateral and purpose type categories of Schedule HC-C. In order to aggregate the level of data as currently proposed by the Board, The Clearing House estimates that a minimum lead time of six months from the date the final reporting revisions are published will be required for its member banks to implement changes to their processes and other resources that would be required to fulfill the new filing requirements. The Clearing House also recommends that if construction, land development, and other land loans total less than 5% of total loans and leases, then the reporting institution should not be required to disclose the additional information requested on the aforementioned schedules.

Loans Secured by Nonfarm Nonresidential Properties

The Board also has proposed splitting loans "Secured by nonfarm nonresidential properties" (commercial real estate loans) into separate categories for owner-occupied and other commercial real estate (Schedule HC-C, item 1.e; Schedule HC-N, item 1.e; Schedule HI-B, item 1.e) because these two types of commercial real estate loans present different risk profiles. The Clearing House suggests that if the Board believes that it is necessary to identify the concentrations of these loans, that the information be collected in a memorandum item on

Schedule HC-C rather than in the breakout of the loans. The Clearing House also suggests that only the loan balances of the owner-occupied properties be collected and that no information be collected for nonaccruals, past dues and charge-offs/recoveries. If the concentration of these loans is high at an institution, the Board could collect further information when they conduct examinations rather than require all bank holding companies to provide this information each quarter.

The owner-occupied designation will be new for the majority of The Clearing House banks and will require coding changes and a minimum lead time of six months from the date the final reporting revisions are published. Initially, it will be difficult to separate cash recovery amounts into these categories, since at the time of charge-off (2005 and years prior), the loans were not flagged according to these categories.

Credit Derivatives

In addition, the Board has proposed collecting additional information on credit derivatives by adding a breakdown by type of contract to the notional amounts currently reported in Schedule HC-L, item 7, along with new items for the maximum amounts payable and receivable on credit derivatives; adding credit derivatives to the existing maturity distribution of derivatives in Schedule HC-R, Memorandum item 2; adding credit derivatives to the breakdown of trading revenue by type of exposure currently collected in Schedule HI, Memorandum item 9; and adding a new income statement Memorandum item for the effect on earnings of credit derivatives held for purposes other than trading. The Clearing House requests further clarification regarding what is meant by "maximum" with respect to reporting the maximum amounts payable and receivable on credit derivatives. It is unclear as to whether this is meant to be the fair value of the derivative contracts or the premium amounts due to be received and paid or some other measure such as notional amount less an estimated recovery amount. The availability and ease of obtaining the information requested can only be addressed upon clarification.

The Clearing House also believes that adding credit derivatives to the breakdown of trading revenue by type of exposure in Schedule HI may not be meaningful because credit derivative positions are often hedged with cash instruments. Reporting only the derivative would create artificial income statement volatility and result in misleading disclosure. A more meaningful disclosure would be a separate line for Credit Trading to reflect both credit derivatives and credit cash instruments. In addition, regarding the breakdown of trading revenue by type of exposure, The Clearing House would like the Board to clarify whether revenue from credit derivative positions in the trading book which are hedging banking book positions should be included in the proposed credit exposure breakout. Also, in order to collect additional information on credit derivatives to fulfill the proposed new filing requirements or our proposed revisions to Schedule HI, The Clearing House estimates that a minimum lead time of six months

from the date the final reporting revisions are published will be required for its member banks to implement the necessary programming changes.

Materiality/Minimum Reporting Thresholds

The Board has proposed collection of further information on Federal funds purchased (Schedule HC, item 14.a.) and Other borrowed money (Schedule HC-M, item 14) by the addition of two items to Schedule HC-M (items 23.a and 23.b) in which banks would report the secured portion of their Federal Funds purchased and their Other borrowed money. The Clearing House suggests that the Board re-evaluate the collection of this and other supplemental and memorandum information on the basis of materiality to the operations of an institution. The risks and risk management processes deployed by financial institutions can vary significantly between a community banking organization and a large bank. The information pertinent to a community bank may not be significant to a large bank and vice versa. By implementing minimum reporting thresholds for certain information, the Board still will collect relevant information to fulfill their objectives while reducing certain of the regulatory burdens imposed on all reporting institutions.

Effective Date

If the Board determines to proceed with the proposed revisions to the FR Y-9C Report, The Clearing House urges the Board to delay for one year the implementation date of the proposal for Construction, land development, and other land loans; the proposal for Loans secured by nonfarm nonresidential loans; and the proposal for adding the new Schedule HC-P for the collection of data pertaining to closed-end 1-4 family residential mortgage banking activities to March 31, 2007. Certain of the proposed data collections such as charge-offs and recoveries would be required to be reported on a year-to-date basis. This would require programming for these proposed revisions to be completed by December 31, 2005 to begin tracking of this data throughout 2006. As noted above, these proposals will result in significant programming changes which require a minimum lead time of six months from the date the final reporting revisions are published. With the comment period ending January 3, 2006, we will be well into the first quarter before the final reporting revisions would even be published.

Thank you for considering the concerns expressed in this letter. If you have any questions or are in need of any further information, please contact Norman R. Nelson at (212) 612-9205.

Sincerely yours,

A handwritten signature in black ink, appearing to read "N. Nelson", with a stylized flourish at the end.

cc: Kenneth P. Lamar
Federal Reserve Bank of New York